



Maximizing Sales Beyond Bill Inserts

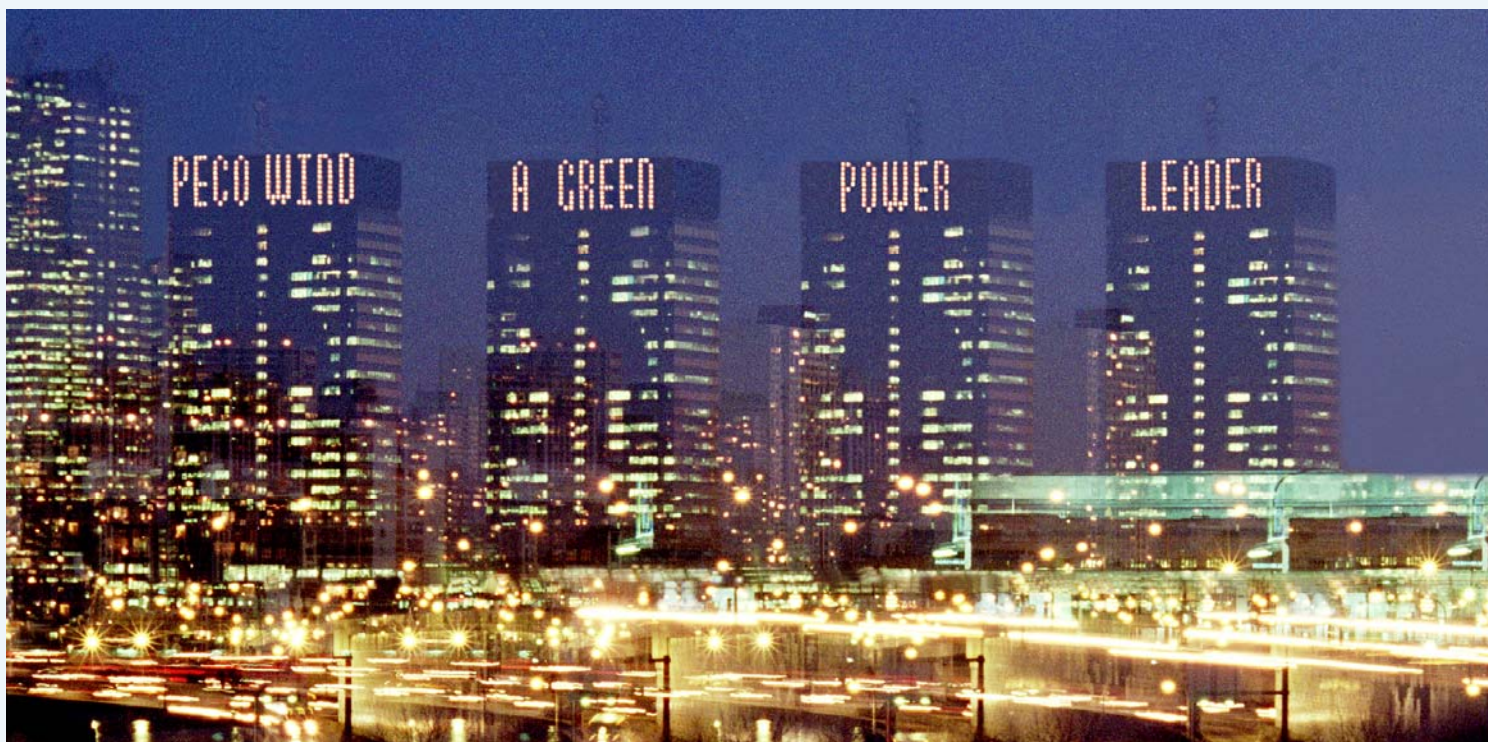
Optimize the Mix of Price, Channel,
Message, and Segmentation

December 6, 2006



Agenda

- ❖ Product overview
- ❖ Price point
- ❖ Up-selling
- ❖ Direct Mail
- ❖ Face-to-Face Channels



Product Overview



Since its launch in 2004, PECO WINDsm has grown to an enrollment of about 34,000 customers.

- ❖ Product is 100% "new" Pennsylvania wind energy
- ❖ Sold in 100 kWh blocks for \$2.54 per block
 - 100% of usage option is also available
 - Discounts available on annual purchase of more than \$50k
- ❖ Offered to all customer classes
 - 1.4 million eligible customers
- ❖ Successful relationship with marketing partner



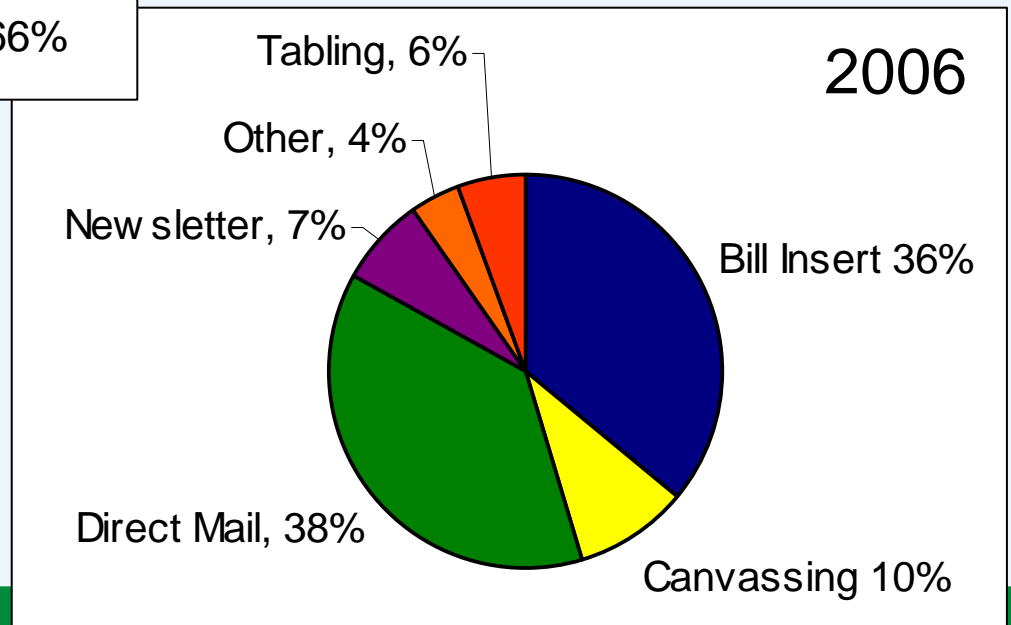
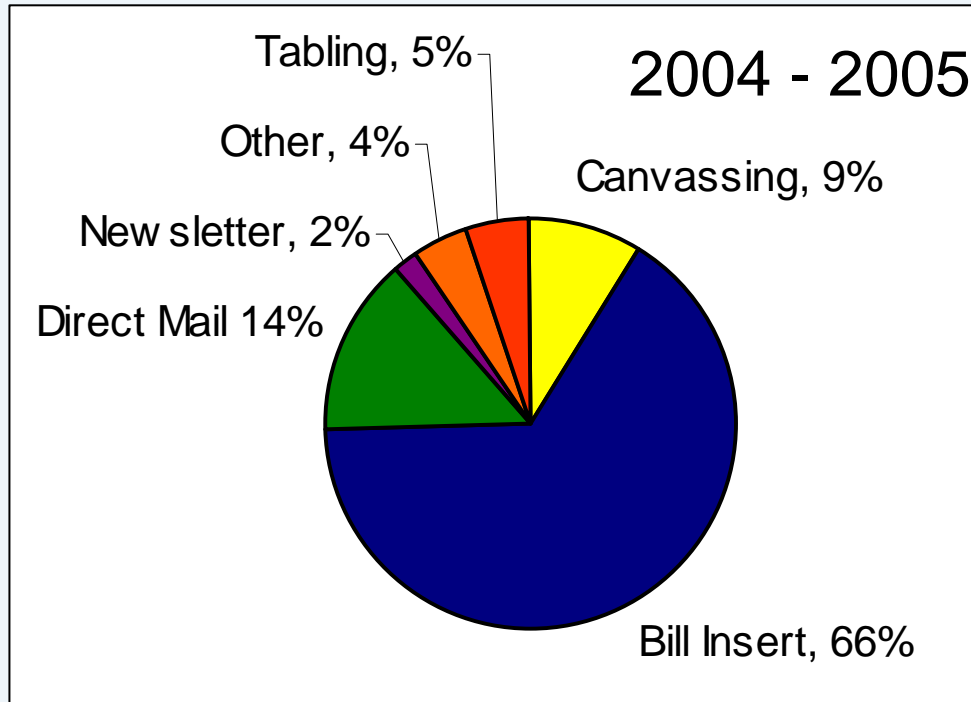
Block products enable multiple price points, but we promote a single price point to simplify offer and reduce confusion.

- ❖ Promoted 2 blocks for \$5.08 in 2004 and 2005
- ❖ Pricing study predicted optimum price is \$7 to \$8 per month
- ❖ After tests in 2005, switched to \$7.62 price point in January 2006 for most channels
 - Overall bill insert take rate in 2006 was 60% higher than in 2005
 - It appears unlikely that the higher price point had a negative impact
- ❖ Tested \$10.16 price point in September 2006 direct mail
 - Take rate was only 68% of that for the \$7.62 price point.
 - Higher value of sale was not sufficient to offset higher acquisition costs.

Tests in Q3 2006 found that offering customers a choice between 300 kWh or 100% of actual usage reduced overall take rate.

- ❖ For bill inserts, take rate declined by 19%, but average sale was 28% higher, so offering multiple price points was cost effective
- ❖ For direct mail, take rate drop off for multiple price points was much greater – 51%
 - The reduction in take rate more than offset increase in average size of sale
- ❖ Possible explanation for channel difference
 - Bill insert enrollment cards require customer to fill in name, account number, etc., so checking a quantity box is just a small extra step
 - Direct mail enrollment forms are pre-filled by printer; adding a decision point on quantity may offset the advantage of not needing to fill in an enrollment card

Shifting the Marketing Mix





Choose the power of the next generation



Choose PECO WIND energy

You hold in your hand the power to make a difference. Choose pollution free PECO WINDSM energy and plant the seed of change.

Sign up for \$7.62 per month!

Join more than 25,000 families and businesses who have already chosen PECO WIND, supplied by Community Energy, Inc. The cumulative environmental impact of PECO WIND customers is equivalent to planting more than 5.1 million trees or not driving 65 million miles per year!

At a time when increasing our use of pollution free energy has never been more important, PECO WIND is leading the way to energy independence and a healthy environment. As more people sign up, more wind farms will be built in Pennsylvania.

Seize this opportunity to create a better tomorrow — sign up for PECO WIND energy today.

PECO WIND energy is: ☒ Clean ☒ Locally generated ☒ Easy and affordable ☒ Renewable

DID YOU KNOW?

Buying just 300 kilowatt hours of wind energy per month for one year has the same environmental impact as planting 268 trees!



Sample Bill Insert

ENROLLMENT FORM
07/06

☒ **Yes!** I want to make a difference. Sign me up to receive 300 kWh per month of PECO WIND energy. By returning this card, I understand that \$7.62 — that's just 25¢ per day — will be ADDED to my monthly PECO electric bill. Nothing else about my PECO electric service will change.

PECOWIND
Your Natural Choice

PECO TWELVE-DIGIT ACCOUNT NUMBER:
□ □ □ □ □ □ □ □ □ □ □ □

Name _____ Phone (____) _____

Email _____ ☐ Yes, please send me PECO WIND updates

Address _____ State _____ Zip _____

Return this completed form with your PECO bill payment.

PECO WIND IS SUPPLIED BY
COMMUNITY ENERGY

If necessary, mail this card to:
PECO WIND c/o Community Energy, Inc.,
150 Stafford Ave., Suite 210, Warren, PA 15087

PECO
An Exelon Company



Choose PECO WINDSM — be part of the solution

You solve problems every day. Sometimes problems you care most about — like taking care of the environment — seem out of your control. You could give up, but that's not you. You meet challenges head on.

You have a choice. When it comes to the environment, you understand the benefits of increasing our supply of fuel-free energy sources. You want to choose how your electricity is produced. Now you can.

How it works. PECO WINDSM energy is an easy and affordable way to make a difference for the environment today and every day. A small additional charge of just 25 cents per day to your electric bill covers the added expense of delivering 300 kilowatt-hours (kWh) of wind-generated electricity to Pennsylvania's electric grid. As more people sign up for PECO WIND, more wind farms will be built in Pennsylvania.

Sign up is easy. Simply fill out and mail the enrollment form below with your PECO bill. Additional levels of participation are also available. For more information or to sign up by phone or Web, call 1-866-WIND-123 or visit www.pecowind.com.



"I have been waiting for the PECO WIND Energy program. I feel it allows me to help do something to keep our environment clean."

Karen Gartner of Mahers, PA
Current PECO WIND Customer

Newsletter

Up-sell Existing Customers



Customers will buy more – if you ask.

- ❖ 93% of our current customers spend \$7.62 per month or less
 - About half spend \$5.08 per month or less
- ❖ Up-sell pitch was combined with a certificate of past purchases
 - Little incremental cost, since retention mailing was to be done anyway
 - Offered opportunity to increase by 1 block or to 100% of usage
- ❖ 10% of targeted customers accepted up-sell offer
 - 32% moved to 100% of usage
 - 68% chose a 1 block increase



Evolution of Direct Mail Design



❖ 2004 – Oversize, full-color, self-mailer

- Cost: \$0.78 per piece
- Average response: 0.33%

❖ 2005 – Black & white letter with full-color brochure

- Cost: \$0.86 per piece
- Average response: 0.68%

❖ 2006 – Full-color, legal-size letter

- Cost: \$0.46 per piece
- Average response: 2.3%

PECOWIND
Your Natural Choice

August 10, 2006

Name
Street Address
City, State, Zip

Dear Name,

You understand the benefits of wind generated electricity. It is not always obvious though what you can do to make a difference. PECOWINDSM energy makes it easy for you to be part of the solution.

It's here. PECOWIND energy is a clean, locally generated energy source that supplies a secure energy outlook for all of us and for future generations. Wind energy could economically produce more than 25% of the electricity generated in America today, and is a resource that will never run out.

It's real. Each modern wind turbine at the Waymart wind farm, located in the Pocono Mountains, stands 330 feet tall and generates as much electricity as burning 133,000 barrels of oil. Now this powerful energy is available to you through the PECOWIND program.

It's working. More than 30,000 residential and business customers have already chosen to purchase PECOWIND energy. PECOWIND is supplied by leading wind energy developer and marketer, Community Energy. When you sign up, you are ensured the same PECO quality and reliable service.

Let's make more! A small additional charge of just 25 cents per day to your electric bill

PECO WIND energy comes from the 43 turbines at the Waymart, PA wind farm.

Choose PECOWIND - a clean energy option for PECO customers!

DID YOU KNOW

Buying just 300 kilowatts of wind energy for one year is equivalent to planting 100 trees.

PECO WIND IS SUPPLIED BY
COMMUNITY ENERGY

PECOWIND
Your Natural Choice

PECO
An Exelon Company

YES! I want to make a difference. Sign me up to receive 300 kWh per month of PECOWIND energy. By returning this card, I understand that \$7.62 — that's just 25¢ per day — will be added to my monthly PECO electric bill. Nothing else about my PECO electric service will change.

SIGNATURE _____ ☐ Yes, please send me PECOWIND updates

NAME _____
STREET ADDRESS _____
CITY, STATE, ZIP _____

EMAIL _____

Account Number: < >

Additional levels of participation are available.

To sign up by phone or Web, call 1-866-WIND-321 or visit us at www.pecowind.com.

ENROLLMENT FORM
STD 3 09/06

Most successful segmentation combines PRIZM™ segments with geographic targeting.

- ❖ Target ZIP codes with highest penetration rates
- ❖ Historic enrollments are more predictive of PRIZM segment performance than is the Claritas "Convergence Audit"
- ❖ Results (May 2006 mailing):
 - Zip Code + historic PRIZM segments: 2.77%
 - Zip Code + "Convergence Audit" PRIZM segments 2.20%
 - Historic PRIZM segments w/ random ZIP codes 2.31%
 - E-Bill customers 1.48%
 - PRIZM segmentation did not significantly impact results in the e-Bill group

Message has much greater impact on direct mail response than on bill insert response.

- ❖ Tested “problem solver” message against “make a difference” message
 - Attempted to replicate WE Energies’ success with “problem solver”
 - Our traditional “make a difference” message actually performed much better
 - However, “problem solver” was best bill insert of the year
- ❖ Direct Mail Message Results (September 2006 mailing):
 - “Make a difference” message: 2.36%
 - “Problem solver” message: 1.96%

Event marketing can be cost effective if venues attract target demographics and provide good sales environment.

- ❖ Shows and festivals do best (many booths where people can buy stuff)
- ❖ Concerts and sporting events do poorly (not ready to buy)
- ❖ Children's events do poorly (kids pull parents from table)
- ❖ Improved cost effectiveness and increased utilization in 2006
 - Shifted from 100% commission to hourly wage plus commission
 - Reduced total cost of acquisition from \$50 per enrollment to \$20
 - Reduced outreach staff turnover
 - Improved staff availability – wages make it seem more like a job
 - Increases importance of selecting the right venues

Several environmental groups do door-to-door canvassing for donations and memberships. We leverage this expertise for PECO WIND.

- ❖ Clean Air Council raises awareness in the community and lobbies politicians on regional air quality issues
- ❖ Several advantages to partnering with Clean Air Council
 - Existing competency and staff for neighborhood canvassing and grassroots outreach
 - Environmental organization lends credibility to product
 - Non-profits exempt from some local anti-solicitation regulations
- ❖ We provide segmentation data on where product sells best
 - Coordinate neighborhood selection with direct mail drops and/or PR activities
- ❖ Cost per enrollment is higher than average at \$60
 - Typical enrollment is 400 kWh – \$10.16 per month

Channel Comparison



	Annual contact volume	Cost per enrollment
Bill Inserts	7,000,000	\$14 - \$28
Direct Mail	210,000	\$18 - \$25
Events	50,000 – 70,000	\$20
Neighborhood canvass	25,000 – 50,000	\$60

Questions?

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